

# NATIONAL ASSOCIATION OF INVESTMENT COMPANIES

FCC MAIL SECTION

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**ORIGINAL  
FILE**

June 15, 1992

Ms. Donna Searcy, Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, DC 20554

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JUN 16 1992

President  
JoANN H. PRICE  
National Association of Investment  
Companies  
Washington, D.C.

Vice President  
DIANE K. THOMAS  
National Association of Investment  
Companies  
Washington, D.C.

Re: MM Docket No. 92-51 - Comments

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Dear Ms. Searcy:

The National Association of Investment Companies (NAIC) is a trade association representing the minority venture capital industry. Over the last decade our members have increasingly targeted their investments in the broadcasting industry. Our industry has been the major source of capital for minority entrepreneurs in the broadcasting industry. The proposed changes, as presented in MM Docket No. 92-51, would make it easier for our members to increase their investments in this growing industry.

The following comments will pay particular attention to the proposal to relax attribution rules and the proposal for broadcast lenders to perfect a security interest in a broadcast license.

## Attribution Rules

The relaxation of attributions rules would provide Specialized Small Business Investment Companies (SSBICs) with increased flexibility in structuring potential investments. Many SSBICs have experience and the capital to invest in the broadcasting industry. However, they are being forced to forgo investment opportunities because of investment restrictions placed on the industry and the lack of potential syndication partners. This problem creates a gap between the minority broadcasting entrepreneur and the financial resources necessary to purchase a company.

If the attribution bench mark was relaxed it would allow SSBICs to purchase a larger equity stake in each venture. Additionally, this adjustment in FCC rules could increase the pool of potential investors. Investors who have traditionally stayed

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Freshstart Venture Capital Corp.  
and East Coast Venture Capital, Inc.  
New York, New York

away from this industry because of such a low attribution benchmark might now consider the broadcasting industry as a viable investment opportunity.

The ability for the minority entrepreneur to raise capital from traditional sources continues to be difficult. In addition, minority businesses receive very little financing from regular SBICs. This means that the only source of capital now and in the foreseeable future will come from the SSBICs that have the expertise to invest in the broadcasting industry. Although the relaxation in attribution rules from 5% to 20% would be welcomed by all participants in the industry, we feel attribution should not be a factor until ownership reaches 50% ownership or more.

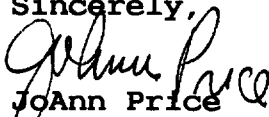
We would also like to comment on attribution rules as it applies to limited partnerships. By virtue of the rules and regulations binding limited partnerships, the partnership agreements provide sufficient insulation from influencing management. It is unlikely that the limited partners would deliberately band together in an effort to influence the management team.

#### Security Interest

There are a number of benefits to be gained by perfecting an interest in a broadcast license. For example, it would require that the industry place a definitive dollar value on the broadcast license. The value of the license could then be depreciated and the broadcasting company could take advantage of the tax benefits. In addition, this adjustment could bring additional debt into the industry. Certain lenders might find the ability to perfect a security interest an incentive to invest in this industry.

Although there are some advantages to perfecting a security interest, as a SSBIC all collateral is traditionally subordinated to the senior lenders. This reduces the value of perfecting a security interest to the SSBIC. Additionally, there are serious concerns regarding the rights of all creditors. Allowing one creditor the right to perfect a security interest would give that creditor an advantage over all other creditors. Conversely, dividing the security interest on a pro rata basis would prove to be rather confusing and expensive, thus diluting any value gained. To avoid confusion and tension among creditors it might be in the best interest of all parties if no lender/creditor be allowed to perfect an interest in the broadcasting license.

In summary, we appreciate the opportunity to respond to the adjustments being considered. We strongly urge the commission to seek ways of increasing the capital flows to the minority entrepreneur doing business in the broadcast industry.

Sincerely,  
  
JoAnn Price

**\*\*We acknowledge that these comments are not being filed within the date specified, however, as the principal trade association of the minority venture capital industry we feel it is important that our comments be heard.**